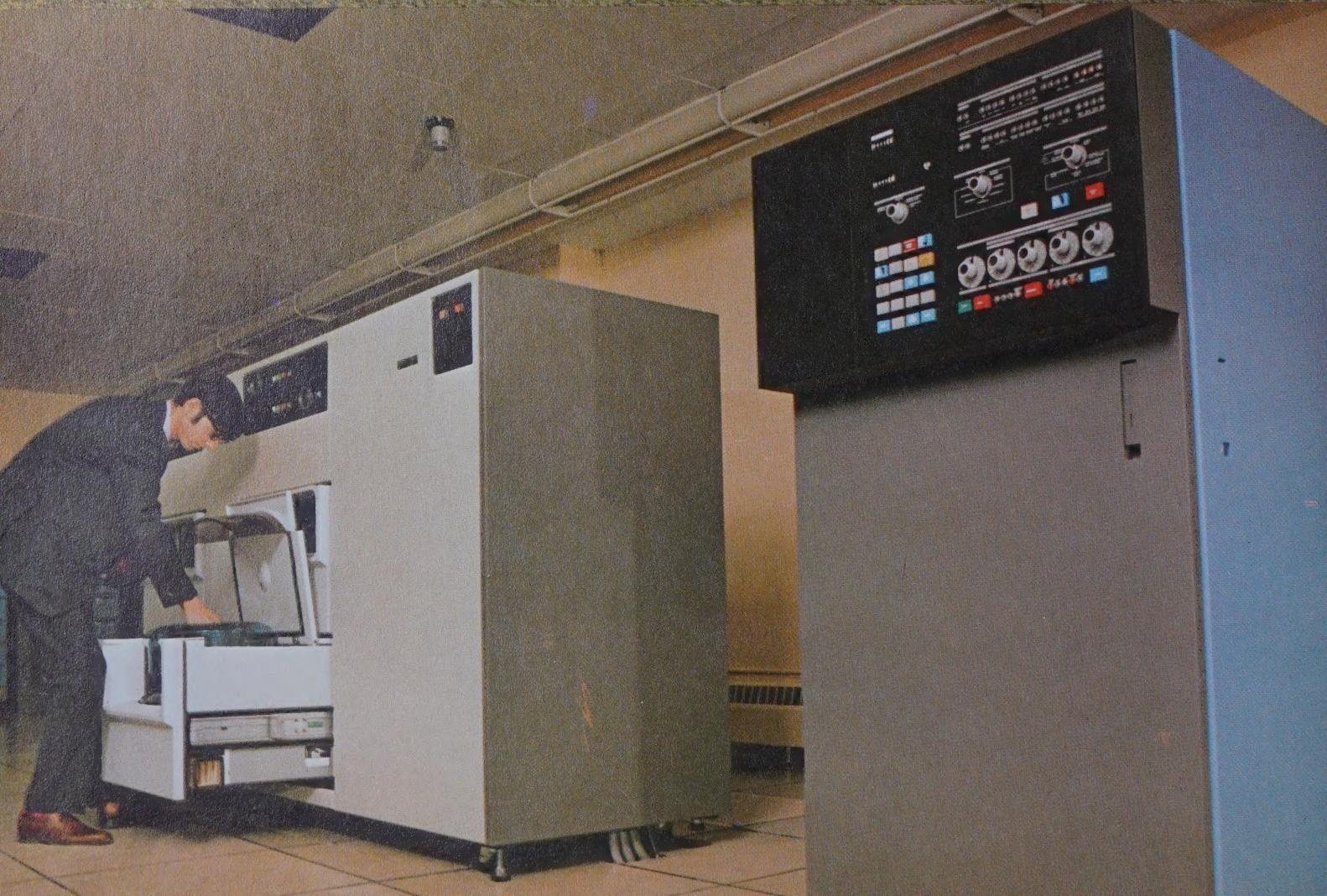


AR51



The New Brunswick Telephone Company, Limited. Annual Report 1974.





## Annual Report 1974

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### ANNUAL GENERAL MEETING

The Annual General Meeting of the Common Shareholders of The New Brunswick Telephone Company, Limited will be held at the office of the Company at number 22 Prince William Street, Saint John, New Brunswick, on Friday, the twenty-eighth day of February, 1975, at 2:30 in the afternoon (local time).



### COVER

The centennial of the invention of the telephone was commemorated in a postage stamp issued on July 26, 1974.

This Minicomputer in Teldata's new quarters in Saint John is one of the devices used by Teldata to provide a complete line of computer related services to the New Brunswick business community.

Teldata, established in 1972, offers such services as data preparation, computer processing, business information systems and software development.

A computer operator mounts a disc file, containing customer accounting information, to a disc drive, a component of NBTEL's new I.B.M. 370-158 computer installation.



THE REPORT AT A GLANCE (Consolidated)	1974	1973
Construction program expenditures	\$40,868,894	\$29,712,922
Telecommunications property, December 31	\$268,399,263	\$230,503,679
Telephones in service, December 31	303,841	282,510
Long distance messages	20,516,533	16,700,317
Total income	\$65,364,987	\$56,536,696
Operating expenses	\$44,882,277	\$36,755,031
Interest charges	\$5,994,483	\$4,444,644
Income tax	\$7,097,986	\$7,384,622
Net income	\$7,390,241	\$7,952,399
Net income per common share	\$1.44	\$1.60
Dividends declared per common share	\$1.02	\$0.94
Common equity per common share, December 31	\$15.37	\$14.99
Cash flow per common share	\$5.38	\$4.84
Return on common shareholders' equity	9.46%	10.84%
Return on total shareholders' equity	<b>9.21%</b>	10.42%
Return on total invested capital	8.38%	8.84%
Average common shares outstanding	4,748,965	4,645,008
Common shareholders, December 31	11,002	11,344
Employees, December 31	2,631	2,483

### VALUATION DAY

The value of a common share of the Company on valuation day, December 22, 1971, recognized by the Department of National Revenue for capital gains tax purposes, was \$14.63.

Typical of the new look in community dial offices, the attractive new façade and landscaping of this renovated central office building in Rothesay, blends attractively with its surroundings.

The unfamiliar sound of male voices greeted those who used the company's long-distance facilities during the strike last fall. Supervisory staff from all departments provided essential operator services during the emergency.



## REPORT OF THE DIRECTORS

From an operations point of view, 1974 was a year of significant progress. Demand for telephone service was greater than ever, a fact that reflects favourably on New Brunswick's economy and indicates a good future for the Company. A major milestone was reached in the fourth quarter with the installation of the 300,000th telephone in the Province. Long distance messages totalled 20,517,000 during the year, an increase of 22.9% over 1973.

### Earnings and Dividends

Earnings per common share were \$1.44, a decline of \$.16 from 1973. This decline was largely the result of the imposition of the Federal 10% surtax on corporate earnings combined with the effects of a 44-day strike by telephone operators in September and October.

Annual dividends of \$1.02 per common share were declared, an increase of 8.5% over 1973 and an indication that your Board of Directors believes a more desirable level of earnings will soon be achieved.

The surtax, introduced in the November 18th federal budget is retroactive to May 1, 1974 and cost the Company \$358,000, or \$.08 per common share, in 1974. This action by the Federal Government shows little understanding of the current economic and financial environment in which regulated utilities must operate.

The operators' strike and the sympathy walk-out by the majority of plant craftsmen is the first withdrawal of employee services in the Company's history. Many customers expressed appreciation for the efforts of management personnel who were instrumental in maintaining services at near-normal levels during the strike. For this purpose, it was necessary to use many management employees normally assigned to plant design and construction activities. Although cash flows were not

affected, the use of these employees as well as the overtime and travelling expenses associated with the reassignment of personnel resulted in abnormal costs being charged to operating expense accounts. The estimated effect of the strike on earnings is \$370,000 or \$.08 per common share.

Total revenues of \$63,550,000 in 1974 represent an increase of 14.7% over the previous year. Significant growth was experienced in revenue from both local service and long distance calling.

Total operating expenses increased to \$44,882,000 or by 22.1% over 1973. The requirement for substantially higher wages and additional staff to handle the expanded workload, and the increased costs of materials and supplies, together with the impact of the strike, were the major factors contributing to the higher level of expenses.

### Rate Application Filed

On January 24, 1975, the Company filed with the Board of Commissioners of Public Utilities of New Brunswick an application requesting an increase in rates and charges for its services. This is only the third general rate increase application in 22 years.

Over the past several years, NBTEL has experienced a sizable escalation in operating expenses. All of the basic costs of doing business — costs of materials and supplies, wages, taxes, depreciation and cost of money — have risen substantially. Until recently, these cost increases have been balanced by normal revenue growth and significant productivity gains. Because of the current unprecedented levels of inflation however, the Company can no longer expect these factors to completely offset rising costs.

To meet increased service demands and maintain high service standards at inflated costs, the Company's rate of construction spending has increased by an average of 36.1% per year over the

past three years. About 60% of the funds required for construction spending are being generated within the business, with the balance obtained in external financial markets. Requirements for external funds have more than doubled in three years, a period when the associated costs have risen to an all-time high. The Company will continue to be able to obtain capital in the open markets only if its earnings are sufficiently high to attract investors.

In periods of severe inflation, the investor can reasonably be expected to demand a higher rate of return to counteract the loss of dollar purchasing power. The Company recognizes the importance of treating both customers and shareholders equitably by offering quality service at rates which are fair and which provide a reasonable return to shareholders.

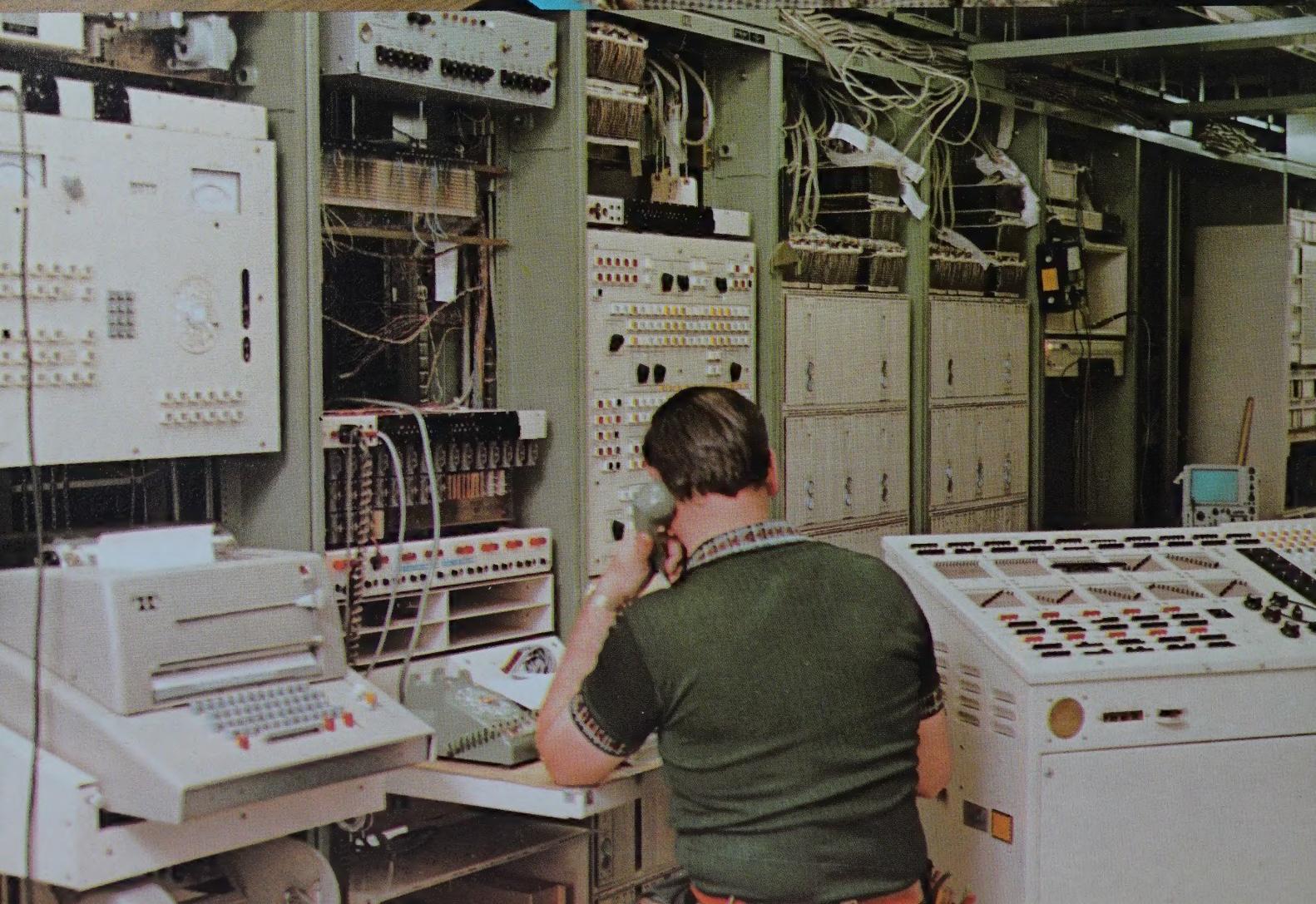
### Financing Program

The issue of \$20,000,000 Series O debentures on April 22 was the year's only financing. The issue carried a 9.50% interest rate and was priced at 99.50 to yield the investor 9.55%. Although the rate offered was an historic high for the Company, as the year progressed, rates continued to increase making the costs of this issue seem relatively inexpensive. It would appear that long term interest rates will remain at high levels for the foreseeable future. At year end, the Company's debt ratio was 50.6%, compared with our present objective debt level of 45 - 50%.

The holders of \$8,690,000 of a total \$10 million Series M debentures have exercised the prepayment clause on that series and payment will be made on June 1, 1975. External financing to meet this requirement and to carry out a planned 1975 construction program of about \$47 million will amount to approximately \$35 million. The Company's bank lines of credit will allow sufficient flexibility to minimize the cost of long term funds to be acquired in 1975.

The \$8.4 million Kings Place retail and office development in downtown Fredericton was opened during the year. In addition to holding 15 percent interest in the new complex, the company also occupies a small amount of office and retail space.

Demolition of buildings on the Brunswick Square development site, in uptown Saint John, began early in 1974 and excavation for the office tower portion of the complex was completed by year-end. A large portion of the tower, to be completed in 1976, will serve as NBTEL's new corporate headquarters.



## Extension and Improvement of Services

To provide for the rapid growth in customer demand and to improve the quality of service to the customer, a record \$40.9 million was spent on capital projects in 1974. Approximately 6,650 waiting customers received either basic or improved grades of service during the year. Despite the record construction program, the increased demand for service resulted in the number of waiting customers at year end remaining well above acceptable levels.

Approximately 2,000 rural customers received new or improved service through the Company's Rural Service Improvement Program. More than \$3.8 million was spent on the program last year, to expand and upgrade service outside the urban areas. The 12 year program, which began in 1972, is currently expected to cost a total of \$72 million.

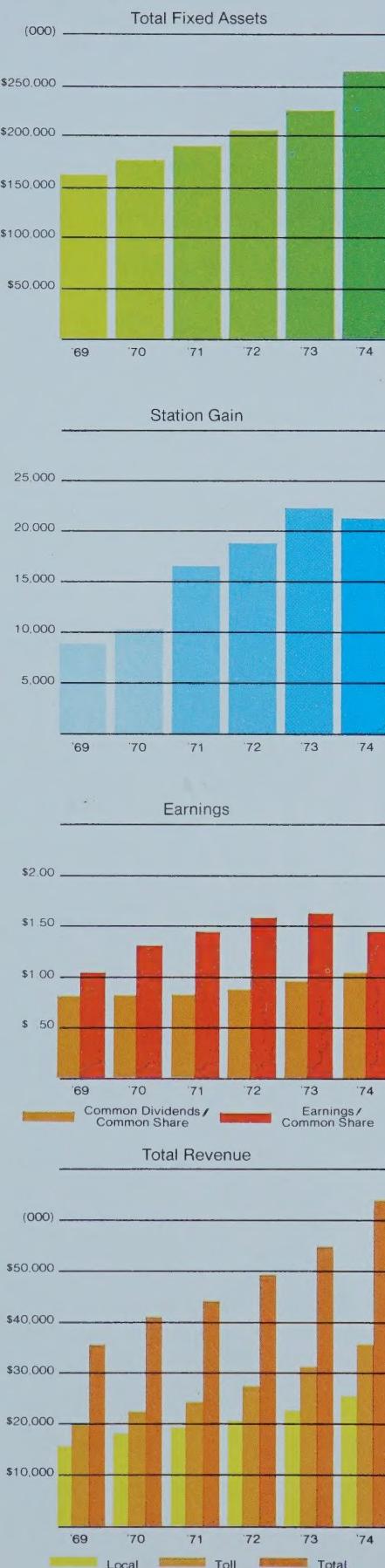
Other capital intensive projects included the new \$3.8 million northern New Brunswick microwave route which was placed in operation in June, 1974. The new route plays an important role in meeting the Province's rapidly increasing voice, video and data requirements and also improves the reliability of the long distance network both inside and outside the Province.

The Company's new 35,900 sq. ft. Moncton service centre was officially opened in June, 1974. The single-storey structure replaced leased facilities which became inadequate for the Company's expanded needs. The new building, which is located close to main traffic arteries, will enable the Company to provide service more effectively to the surrounding communities as well as the city of Moncton.

Several major building extensions were undertaken including major additions to the Campbellton, Bathurst, Woodstock and Edmundston offices.

The "Handsfree" telephone module was introduced in 1974 to complement the "Logic 10" telephone. The modified "Logic 10" unit now allows the freedom of handsfree conversation.

The company's first electronic switching office is scheduled to be placed in service in early 1975. The SP-1 system, in Saint John, is the first of its kind in the province.



Approximately 12,000 additional telephone subscribers are now able to use direct distance dialing (DDD) with its introduction in the Edmundston, Grand Falls, St. Basile, Hartland and Perth-Andover exchanges. The Company expects to have 100% "DDD" capability in New Brunswick by 1978 at a cost of \$1,544,000 over the next four years. In conjunction with the "DDD" program, 33,440 customers in ten exchanges received the benefits of Automatic Number Identification (ANI). With "ANI", long distance calls are connected automatically without the need for an operator to identify the calling number. It is the Company's aim to have all offices equipped with "ANI" over the next four years.

Touch-tone service became available during the year to 11,200 customers in Chatham, Edmundston and Riverview, bringing the number of communities in the Province with this service to nine. Approximately 12,900 customers in the Province now have touch-tone service.

The Company is entering the sophisticated field of electronic switching with the installation of a new \$3.2 million switching system in Saint John known as the "SP-1". The majority of the installation work is finished with completion of the conversion scheduled for early 1975. The "SP-1" is being utilized by the Company in a planned growth and modernization program.

## Systems Planning

The Company Data Centre in Saint John, considered the largest industrial computer installation in New Brunswick, was updated with the purchase of a new IBM 370-158 computer. The \$2.3 million computer provides the latest in computer technology as well as the necessary data-processing capacity for future growth. Along with other major systems developments, the computer will allow the Company to improve internal operating efficiency and aid employees in providing better service to customers.

## Data Communications

In cooperation with the Trans-Canada Telephone System (T.C.T.S.) the Company introduced several data communications products and systems including the Datacom 500 and the Datacom 600 buffered keyboard teleprinters.



Plans for a new nation-wide network for data communications were also announced by T.C.T.S. Known as the "Datapac Network", it is designed to become Canada's basic universal data network, with the capability of connecting many data-users over shared facilities. The initial phase of the Datapac Network will be operational by mid-1976, serving 14 of Canada's major communities.

### Activities of Subsidiaries

In late 1973, the Company established a wholly-owned subsidiary, Bruntel Holdings Ltd., to hold NBTel's investments in operating subsidiaries and associated companies.

Bruntel owns 15% of the equity shares in Fredericton Developments Ltd., which, last year opened Fredericton's "Kings Place", an \$8.4 million retail-office complex. NBTel occupies a small amount of retail and office space in the new six-storey structure which, at present, is 90% leased.

In central Saint John, construction is continuing on the multi-million dollar Brunswick Square development. The retail-hotel-office-banking complex is being undertaken by the Company (through Bruntel Holdings Ltd.), The Bank of Nova Scotia, MRA Holdings Ltd., and Trizec Corporation, the developer. A 33-storey office building will be a major component of the development and a substantial portion of the tower will house NBTel's corporate headquarters. The Company expects to occupy its space in the new office building by early 1976.

Dobbin Surveys Limited experienced a profitable first year of operation. Bruntel Holdings Ltd. owns 90% of the shares in Dobbin which was incorporated in 1973 to undertake land surveying in the Province.

NBTel broadened its line of products in 1974 by introducing "Smoke Signal," an advanced residential smoke and fire detection device.

The latest in emergency telephones was erected on an uninhabited section of highway between Saint John and Fredericton. The telephone gives direct access to the R.C.M.P.

Management training and organization development services are being offered within the company and to outside businesses through a new division, Management Development Services. Techniques in use include programmed training, as well as classroom and seminar instruction.

The \$300 million Coleson Cove thermal generating station being built in Saint John symbolizes the growth of the Province's economic base and reflects New Brunswick's confidence in its future potential.

Although the Company is quite optimistic about the future of these ventures, all of Bruntel's interests are either in the development phase or the early stages of operation and presently have little impact on Company earnings.

### Organization Development

Refinements to the organization structure during the year, combined with a hiring and training program geared to providing a high degree of technical competence at the working level, are expected to continue to improve overall operating efficiency.

The Company expanded its successful in-Company training program by establishing a new division known as Management Development Services. The division provides management training and organization development services within and outside the Company. Its courses cover a wide scope — from a study of management philosophies to general supervisory skills.

The Company's Commercial and Market Planning Departments were reorganized to form the Marketing Department which now coordinates all customer related corporate activities. With this reorganization, it is expected that the Company will be better able to identify and satisfy the needs of customers for communications products and services.

In July, a major reorganization of the Finance Department was completed complementing changes made in October, 1973. The Department is now functionally organized into two divisions — operations and planning. This change will permit the Company to continue to develop expertise in such areas of industry-wide concern as financial planning, subsidiary accounting and control, cost centre and product accounting and other specialized finance fields.

### Board Membership Changes

Two new directors, J. C. Thackray, and Harry Bowler, were elected to the Board during the year. Mr. Thackray, Executive Vice-President (Operations) of Bell Canada, succeeded Walter F. Light of Montreal. Mr. Bowler, Vice-President (Finance) of Bell Canada, replaced John E. Skinner, also of Montreal. The Board is indebted to Mr. Light and Mr. Skinner for their valuable contributions during their association with the Company.

### Management Changes

E. D. Thompson resigned his position as Vice-President (Operations) to become President of the Trans-Canada Telephone System. The Board of Directors acknowledges the valuable contributions made by Mr. Thompson during his association with the Company. In his new position, Mr. Thompson will, through his knowledge and experience, contribute significantly to this national organization that plays a vital role in Canada's telecommunications industry.

W. H. R. Smith, who was on loan from the Company to Bell-Northern Research in Ottawa for 14 months, returned to the Company as Vice-President (Operations). Mr. Smith previously held the senior management positions of Marketing Manager and Chief Engineer with the Company.

Your Directors have a great deal of optimism about the future. There is clear evidence that the use of telecommunications will continue to expand and is being viewed more and more by the consumer as an essential part of modern living.

The Board believes future challenges will be successfully met by the Company's employees. It has been through their diligent efforts over the years that the Company has achieved its enviable record.

On behalf of the Board of Directors



President  
January 24, 1975

# The New Brunswick Telephone Company, Limited

Head Office of the Company : Fredericton, New Brunswick

Executive Office : Saint John, New Brunswick

## Officers

Leonard Lockhart  
Chairman of the Board

W. H. R. Smith  
Vice-President, Operations

N. A. Patterson  
Vice-President, Finance

Kenneth V. Cox  
President

G. E. Graham  
Vice-President, Planning

N. E. Britton  
Secretary-Treasurer

## Directors

Harry Bowler  
Vice-President  
Finance  
Bell Canada  
Montreal, Quebec

J. Eric Cormier  
President  
White Cab Co., Ltd.  
Moncton, N. B.

Alphée E. Levesque \*  
President  
Bell Equipment Co. Ltd.  
Edmundston, N. B.

John G. Burchill  
President  
Geo. Burchill & Sons  
(Plywood) Limited  
Nelson-Miramichi, N. B.

Kenneth V. Cox \*  
President  
The New Brunswick Telephone  
Company, Limited  
Saint John, N. B.

Joseph A. Likely  
President and General Manager  
Jos. A. Likely Limited  
Saint John, N. B.

D. Chester Campbell  
President and General Manager  
Tractors and Equipment  
(1962) Limited  
Fredericton, N. B.

Robert C. Eddy  
Vice-President  
Bathurst Broadcasting Co., Ltd.  
Bathurst, N. B.

Leonard Lockhart \*  
Chairman of the Board  
Lockharts Limited  
Moncton, N. B.

William M. Cavanaugh  
Branch Manager  
Lounsbury Co. Ltd.  
Campbellton, N. B.

R. Whidden Ganong \*  
President  
Ganong Bros. Limited  
St. Stephen, N. B.

Andrew H. McCain \*  
President  
McCain Produce Company, Ltd.  
Florenceville, N. B.

Clarence T. Clark \*  
480 Clearview Row West  
Saint John, N. B.

Alfred R. Landry  
Senior Partner  
Landry, Brison & LeBlanc  
Moncton, N. B.

James C. Thackray \*  
Executive Vice-President  
Operations  
Bell Canada  
Montreal, Quebec

\* Member of Executive Committee

## Stock Transfer Offices

The New Brunswick Telephone Company, Limited  
22 Prince William Street  
Saint John, New Brunswick

The Royal Trust Company  
Halifax, Montreal, Toronto,  
Winnipeg, Regina, Calgary  
and Vancouver

STOCK LISTED  
*Montreal Stock Exchange  
Toronto Stock Exchange*

*The Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver offices of  
the Royal Trust Company are registrars of stock.*

## Trustee for Debentures

Montreal Trust Company

**The New Brunswick Telephone Company, Limited**

**CONSOLIDATED INCOME STATEMENT (in thousands)**

<b>Year ended December 31</b>	<b>1974</b>	<b>1973</b>
<b>Operating revenues</b>		
Local service	\$24,923	\$22,123
Long distance service	35,794	30,969
Other	3,209	2,532
<i>Less uncollectible operating revenues</i>	376	214
	<b>63,550</b>	<b>55,410</b>
<b>Operating expenses</b>		
Depreciation—note 1	13,795	11,622
Maintenance	10,973	9,193
Network traffic operations	4,857	3,418
Marketing and customer services	4,871	4,137
Finance and information systems	3,535	3,414
General administration	3,451	2,800
Pensions and other employee benefits	2,205	1,590
Other operating expenses	3,026	2,214
<i>Less amounts charged to construction</i>	1,831	1,633
	<b>44,882</b>	<b>36,755</b>
<b>Operating income</b>	<b>18,668</b>	<b>18,655</b>
<b>Other income</b>		
Interest on plant under construction	844	432
Interest earned	761	594
Other	210	101
	<b>1,815</b>	<b>1,127</b>
<b>Income before interest charges and income taxes</b>	<b>20,483</b>	<b>19,782</b>
<b>Interest charges</b>		
Interest on long-term debt	5,777	4,326
Other interest	123	39
Amortization of long-term debt expense	95	80
	<b>5,995</b>	<b>4,445</b>
<b>Income before income taxes</b>	<b>14,488</b>	<b>15,337</b>
<b>Provision for income taxes—note 1</b>	<b>7,098</b>	<b>7,385</b>
<b>Net income</b>	<b>\$ 7,390</b>	<b>\$ 7,952</b>
<b>*Net income per common share—note 1</b>	<b>\$ 1.44</b>	<b>\$ 1.60</b>

\*Based on average common shares outstanding

The notes to consolidated financial statements on page 15 are an integral part of this statement.

**The New Brunswick Telephone Company, Limited**  
 (Incorporated under the laws of New Brunswick)

**CONSOLIDATED BALANCE SHEET (in thousands)**

<b>Assets, December 31</b>	<b>1974</b>	<b>1973</b>
<b>Telecommunications property (at cost)</b>		
Buildings, plant and equipment	\$246,829	\$215,363
Less accumulated depreciation—note 1	75,997	65,109
	<b>170,832</b>	<b>150,254</b>
Land, and plant under construction	16,341	11,822
Construction materials	5,229	3,319
	<b>192,402</b>	<b>165,395</b>
<b>Investments (at cost)—note 2</b>	<b>1,924</b>	<b>1,103</b>
<b>Current assets</b>		
Cash and temporary cash investments (at cost—approximates market)	4,000	3,066
Accounts receivable—note 3	9,494	7,375
Prepayments	266	186
Income tax recoverable	770	
	<b>14,530</b>	<b>10,627</b>
<b>Deferred charges</b>		
Unamortized long-term debt expense	772	423
Preliminary engineering	772	579
	<b>1,544</b>	<b>1,002</b>
<b>Total assets</b>	<b>\$210,400</b>	<b>\$178,127</b>

*Walters*  
 Vice-President, Finance

The New Brunswick Telephone Company, Limited

Signed on behalf of the Board of Directors:

*O. C. Muller*  
 Director

*Eric Sommier*  
 Director

The notes to consolidated financial statements on page 15 are an integral part of this statement.

<b>Liabilities and shareholders' equity, December 31</b>	<b>1974</b>	<b>1973</b>
<b>Shareholders' equity</b>		
Capital stock—note 4		
Preferred	\$ 7,653	\$ 7,853
Common	47,728	47,251
Contributed surplus	3,083	3,032
Retained earnings	22,556	20,542
	<b>81,020</b>	<b>78,678</b>
 <b>Long-term debt</b> —note 5	 <b>74,310</b>	 <b>63,000</b>
 <b>Current liabilities</b>		
Bank indebtedness	5,222	
Accounts payable and accrued charges—note 3	7,238	6,692
Dividends payable	1,237	1,125
Interest accrued on long-term debt	1,411	1,039
Long-term debt due within one year—note 5	8,690	2,000
	<b>23,798</b>	<b>10,856</b>
 <b>Deferred credits</b>		
Deferred income tax—note 1	30,749	25,556
Employees' stock plan—note 6	523	37
	<b>31,272</b>	<b>25,593</b>
 <b>Total liabilities and shareholders' equity</b>	 <b>\$210,400</b>	 <b>\$178,127</b>

#### AUDITORS' REPORT

To the Shareholders of The New Brunswick Telephone Company, Limited:

We have examined the consolidated balance sheet of The New Brunswick Telephone Company, Limited and its subsidiaries as at December 31, 1974 and the consolidated statements of income, retained earnings, contributed surplus and sources of funds used for construction for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the sources of their funds used for construction for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Saint John, N. B.,  
January 22, 1975

*Clarkson, Gordon & Co.*  
Chartered Accountants

**The New Brunswick Telephone Company, Limited**

**CONSOLIDATED STATEMENT OF SOURCES OF FUNDS USED FOR CONSTRUCTION (in thousands)**

<b>Year ended December 31</b>	<b>1974</b>	<b>1973</b>
<b>All sources of funds</b>		
From operations:		
Net income	\$ 7,390	\$ 7,952
Items not requiring current funds:		
Depreciation	14,331	12,045
Deferred income tax	4,381	3,476
Less interest charged construction	844	432
	<b>25,258</b>	<b>23,041</b>
Increase in deferred income tax—prior years	812	
Issue of common stock—note 4	496	1,349
Issue of debentures—note 5	20,000	15,000
Miscellaneous items	978	(475)
	<b>47,544</b>	<b>38,915</b>
<b>Funds used for other than construction</b>		
Dividends on preferred shares	532	543
Dividends on common shares	4,844	4,366
Investments	821	300
Preferred shares purchased for cancellation	200	143
Long-term debt due within one year—note 5	8,690	2,000
Increase (decrease) in working capital	(9,039)	1,850
	<b>6,048</b>	<b>9,202</b>
<b>Funds used for construction</b>	<b>\$41,496</b>	<b>\$29,713</b>

**CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS (in thousands)**

<b>Year ended December 31</b>	<b>1974</b>	<b>1973</b>
<b>Balance at beginning of year</b>	<b>\$3,032</b>	<b>\$2,870</b>
Premium on common shares issued	18	158
Discount on preferred shares purchased for cancellation	33	4
<b>Balance at end of year</b>	<b>\$3,083</b>	<b>\$3,032</b>

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS (in thousands)**

<b>Year ended December 31</b>	<b>1974</b>	<b>1973</b>
<b>Balance at beginning of year</b>	<b>\$20,542</b>	<b>\$17,499</b>
<i>Add:</i>		
Net income	7,390	7,952
	<b>27,932</b>	<b>25,451</b>
<i>Deduct:</i>		
Dividends on preferred shares	532	543
Dividends on common shares	4,844	4,366
<b>Balance at end of year</b>	<b>\$22,556</b>	<b>\$20,542</b>

The notes to consolidated financial statements on page 15 are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

- a. CONSOLIDATED FINANCIAL STATEMENTS for 1974 include the accounts of a wholly owned subsidiary, Bruntel Holdings Ltd., and its subsidiary.
- b. DEPRECIATION is calculated on a straight-line basis over the estimated useful life of telecommunications property by applying rates, determined by a continuing program of engineering studies, to the companies' investment by class of property. The composite rate for 1974 was 6.19 percent (5.89 percent for 1973).
- c. INCOME TAX EXPENSE is provided on income as recorded in the companies' accounts. Income tax payable recognizes a higher depreciation rate and expense items not deducted in computing accounting income, including certain expenditures that in accordance with telecommunication industry accounting practice are included in the cost of telecommunications property. The difference between income tax expense and income tax payable is shown as deferred income tax in the balance sheet. The provision for income taxes for 1974 includes \$358,000 or \$.08 per common share for the 10% surtax included in the latest budget proposals of the Federal Government but which have not yet become law.
- d. PENSION FUND OBLIGATIONS: As a result of an actuarial study carried out during the year, it was decided that all unfunded obligations would be paid and accounted for over the estimated future working lifetime of employees of the company. This is a departure from the previous practice of amortizing the unfunded obligation over a specific period of time. This change did not have a material effect on income.
- 2. INVESTMENTS represent mainly \$900,000 invested in Brunswick Square, Ltd., and \$798,000 in Telesat Canada Limited. Brunswick Square is a company formed by a Canadian chartered bank, M.R.A. Holdings Ltd., Trizec Corporation Ltd. and Bruntel Holdings Ltd., to develop an office-retail-hotel-parking-department store complex in Saint John, New Brunswick, in which the company has a commitment to lease 170,000 square feet of space, when completed, to house its main offices.

The company has agreed to guarantee its pro rata share, up to \$8,500,000 of the interim financing for Brunswick Square Ltd.

- 3. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE include amounts of \$12,000 due from and \$1,111,000 due to affiliated companies.

### 4. CAPITAL STOCK:

#### Authorized—

382,672	\$1.37 cumulative redeemable preferred shares of the par value of \$20 each		
6,000,000	common shares of the par value of \$10 each		
Issued—			
382,672	preferred shares	1974	1973
(1973 - 392,672 shares)		\$ 7,653,440	\$ 7,853,440
4,772,805	(1973 - 4,725,119 shares)	47,728,050	47,251,190
		\$55,381,490	\$55,104,630

The preferred shares may be redeemed at par value plus a premium of \$1.37 if redeemed before March 15, 1975; the premium thereafter decreasing \$.17 to March 15, 1978 and \$.20 every three years to March 15, 1990.

During the year the company issued 47,686 common shares for cash. In accordance with the terms of issue, the company purchased 10,000 preferred shares for cancellation. At December 31, 1974, 33,365 common shares were reserved for issue under the employees' stock plan.

### 5. LONG-TERM DEBT—DEBENTURES:

Maturing	Series	Rate	Principal
April 1, 1976	F	4-1/8%	\$ 5,000,000
November 15, 1977	C	3-3/8%	2,000,000
April 1, 1979	G	5-1/8%	3,000,000
March 1, 1982	H	5-5/8%	5,000,000
March 1, 1984	I	5-3/4%	5,000,000
September 1, 1986	J	6-1/2%	7,000,000
November 15, 1987	K	7-1/4%	6,000,000
December 1, 1988	L	7-3/4%	5,000,000
June 1, 1990	M	9-1/4%	10,000,000
March 2, 1983-97*	N	8-3/20%	15,000,000
April 15, 1996	O	9-1/2%	20,000,000
			\$83,000,000
Less portion of series M to be redeemed June 1, 1975			8,690,000
			\$74,310,000

\* Due March 2, 1983-97 at \$1,000,000 a year

- 6. EMPLOYEES' STOCK PLAN represents amounts contributed by employees, and the interest thereon, pursuant to a policy under which an employee may assign up to 10 percent of his basic wage and also assign dividends from shares purchased under the plan for the purchase of common shares of the company at 80 percent of the market price or at the par value of the shares, whichever is the greater.
- 7. LONG-TERM LEASE obligations, principally covering rentals of circuits and building space, amounted to \$1,536,000 at December 31, 1974. Related rentals incurred for the year 1974 amounted to \$550,000 and the minimum obligation applicable to the next five years is \$1,520,000 of which \$614,000 is applicable to the year 1975.
- 8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS amounted to \$298,000 for the year ended December 31, 1974.

## THE YEARS IN REVIEW (consolidated)

Financial position (in thousands) (at Dec. 31)	1974	1973	1972	1971	1970	1969
Telecommunications property	\$268,399	\$230,504	\$204,748	\$185,449	\$172,620	\$160,611
Accumulated depreciation	75,997	65,109	57,453	51,378	45,295	39,829
Shareholders' equity	81,020	78,678	74,425	62,761	59,437	56,687
Debentures	83,000	65,000	51,500	55,000	55,000	47,000
Deferred tax	30,749	25,556	22,081	16,634	15,334	14,060
<b>Income and expense items (in thousands)</b>						
Operating revenues	\$ 63,550	\$ 55,410	\$ 49,594	\$ 44,604	\$ 40,789	\$ 35,332
Operating expenses	44,882	36,755	32,638	28,638	25,787	23,544
Interest on long-term debt	5,777	4,326	3,398	3,477	3,157	2,644
Income taxes	7,098	7,385	6,372	6,201	6,102	4,719
Net income	7,390	7,952	7,517	6,420	5,763	4,502
<b>Financial statistics</b>						
Common equity per common share Dec. 31	\$15.37	\$14.99	\$14.42	\$13.81	\$13.26	\$12.80
Net income per common share	1.44	1.60	1.55	1.42	1.29	1.02
Dividends declared per common share	1.02	0.94	0.86	0.82	0.80	0.80
Embedded cost of debt	7.5%	6.9%	6.5%	6.5%	6.1%	5.7%
Debt ratio Dec. 31	50.6%	45.2%	40.9%	46.7%	48.1%	45.3%
Times interest earned before tax	3.5	4.6	5.1	4.7	4.8	4.6
Return on common shareholders' equity	9.5%	10.8%	11.0%	10.5%	9.9%	8.1%
Return on total invested capital	8.4%	8.8%	8.9%	8.6%	8.1%	7.0%
Cash flow per common share	\$5.38	\$4.84	\$5.05	\$3.82	\$3.48	\$3.09
<b>Telephone statistics</b>						
Telecommunications property per telephone Dec. 31	\$883	\$816	\$787	\$768	\$767	\$748
Telephones in service Dec. 31	303,841	282,510**	260,050	241,585	225,121	214,820
Telephones added during the year	21,331	22,460**	18,465	16,464	10,301	8,609
Average daily local messages (in thousands)	1,148	1,098	1,022	939	1,053	1,017
Annual long distance messages (in thousands)	20,517	16,700	14,109	12,203	10,892	9,794
<b>Miscellaneous statistics</b>						
Salaries and wages (in thousands)	\$25,189	\$20,790	\$18,011	\$15,593	\$13,683	\$12,441
Employees Dec. 31	2,631	2,483	2,301	2,175	2,007	2,069
Common shareholders Dec. 31	11,002	11,344	11,174	11,299	11,699	12,038
Construction expenditures (in thousands)	\$40,869	\$29,713	\$23,933	\$16,314	\$16,177	\$17,176

\*\* Includes 841 telephones purchased from the Fort Kent Telephone Company.

\*\* Comprend 841 téléphones achetés de Fort Kent Telephone Company.

Situations financière (en milliers) (au 31 déc.)		1974	1973	1972	1971	1970	1969
<b>Revenus et dépenses (en milliers)</b>							
Revenus d'exploitation	\$63,550	\$55,410	\$49,594	\$44,604	\$40,789	\$35,332	
Dépenses d'exploitation	44,882	36,755	32,638	28,638	25,787	23,544	
Intérêts sur dette à long terme	5,777	4,326	3,398	3,477	3,157	2,644	
Impôts sur le revenu	7,098	7,385	6,372	6,201	6,102	4,719	
Revenu net par action ordininaire	1,44	1,60	1,55	1,42	1,29	1,02	
Dividendes déclarés par action ordininaire	1,02	0,94	0,86	0,82	0,80	0,80	
Cout effectif de la dette	7,5%	6,9%	6,5%	6,5%	6,1%	5,7%	
Prorata de la dette, 31 déc.	50,6%	45,2%	40,9%	46,7%	48,1%	45,3%	
Couverture des intérêts avant impôts	3,5	4,6	5,1	4,7	4,8	4,6	
Rendement sur l'avoir des détenteurs d'actions ord.	9,5%	10,8%	11,0%	10,5%	9,9%	8,1%	
Rendement sur le capital total investi	8,4%	8,8%	8,8%	8,6%	8,1%	7,0%	
Fonds autogénérés par action ordininaire	55,38	54,84	55,05	53,82	53,48	53,09	
Installations—télécommunications	\$883	\$816	\$787	\$768	\$767	\$748	
Partélephone, 31 déc.							
Téléphones en service, 31 déc.	303,841	282,510**	260,050	241,585	225,121	214,820	
Nouveaux téléphones durant l'année	21,331	22,460**	18,465	16,464	10,301	8,609	
Appels locaux - moyenne quotidienne (en milliers)	1,148	1,098	1,022	939	1,053	1,017	
Appels interurbains annuels (en milliers)	20,517	16,700	14,109	12,203	10,892	9,794	
Divers							
Salaires (en milliers)	\$25,189	\$20,790	\$18,011	\$15,593	\$13,683	\$12,441	
Employés, 31 déc.	2,631	2,483	2,301	2,175	2,007	2,069	
Détenteurs d'actions ordinaires, 31 déc.	11,002	11,344	11,74	11,299	11,699	12,038	
Depenses de construction (en milliers)	\$40,869	\$29,713	\$23,933	\$16,314	\$16,177	\$17,176	

## SOMMAIRE STATISTIQUE (Consolidé)



Les notes sur les états financiers consolidés en page 15 sont partie intégrante des présents états.

			Moins.
			Plus.
Solde au début de l'exercice	\$17,499	25,451	
Revenu net	7,390	7,952	
Dividendes sur actions privilégiées	532	543	
Dividendes sur actions ordinaires	4,844	4,366	
Solde à la fin de l'exercice	\$22,556	\$20,542	

#### ETAT CONSOLIDÉ DES BÉNÉFICES NON RÉPARTIS (en milliers de dollars)

			Solde à la fin de l'exercice
Exercice terminé le 31 décembre	1973	1974	
Prime à l'émission d'actions ordinaires	158	18	
Escompte à l'achat pour annulation d'actions privilégiées	4	33	
Solde au début de l'exercice	\$2,870	\$3,032	
Exercice terminé le 31 décembre	1973	1974	

#### ETAT CONSOLIDÉ DU SURPLUS D'APPORT (en milliers de dollars)

			Fonds pour la construction
Augmentation (diminution) du fonds de roulement	(9,039)	1,850	
Dette à long terme échelant en deux d'un an—note 5	8,690	2,000	
Actions privilégiées achetées pour annulation	200	143	
Placements	821	300	
Dividendes sur actions ordinaires	4,844	4,366	
Dividendes sur actions privilégiées	532	543	
Fonds utilisés à des fins autres que la construction	38,915	47,544	

			Exploration:
Revenu net	\$ 7,390	\$ 7,952	
Amortissement	14,331	12,045	
Impôts sur le revenu reportés	4,381	3,476	
Moins intérêts imputés sur la construction	844	432	
Augmentation des importations sur le revenu reportés—exercices antérieurs	812	23,041	
Emission d'actions ordinaires—note 4	496	1,349	
Emission de detenutes—note 5	20,000	15,000	
Eléments de detenutes—note 4	978	(475)	
Fonds utilisés à des fins autres que la construction	38,915	47,544	

#### ETAT CONSOLIDÉ DE LA PROVENANCE DES FONDS UTILISÉS POUR LA CONSTRUCTION (en milliers de dollars)

			Provénance
Exploration:			
Eléments nécessitant pas de fonds à court terme			
Amortissement	14,331	12,045	
Impôts sur le revenu reportés	4,381	3,476	
Moins intérêts imputés sur la construction	844	432	
Augmentation des importations sur le revenu reportés—exercices antérieurs	812	23,041	
Emission d'actions ordinaires—note 4	496	1,349	
Emission de detenutes—note 5	20,000	15,000	
Eléments de detenutes—note 4	978	(475)	
Fonds utilisés à des fins autres que la construction	38,915	47,544	

			Exploration:
Revenu net	\$ 7,390	\$ 7,952	
Amortissement	14,331	12,045	
Impôts sur le revenu reportés	4,381	3,476	
Moins intérêts imputés sur la construction	844	432	
Augmentation des importations sur le revenu reportés—exercices antérieurs	812	23,041	
Emission d'actions ordinaires—note 4	496	1,349	
Emission de detenutes—note 5	20,000	15,000	
Eléments de detenutes—note 4	978	(475)	
Fonds utilisés à des fins autres que la construction	38,915	47,544	

Saint John (N.-B.)  
le 22 janvier 1975

### Comptables agréés

Baltimore, Doctor & Dr.

A notre avis, ces états financiers consolidés présentent fidélement la situation financière des compagnies au 31 décembre 1974, ainsi que les résultats de leur exploitation et la provenance de leurs fonds utilisés pour la construction pour l'exercice terminé à cette date, conformément aux principes comptables généralement reconnus, lesquels ont été appliqués de la même manière qu'au cours de l'exercice précédent.

Nous avons examine le bilan consolidé de The New Brunswick Telephone Company, limité et de ses filiales au 31 décembre 1974 ainsi que l'état consolidé des revenus et dépenses, l'état consolidé des bénéfices non répartis, l'état consolidé du surplus d'apport et l'état consolidé de la provenance des fonds utilisés pour la construction pour l'exercice terminé à cette date. Notre examen a comporté une revue générale des procédés comptables pour les sondages des registres prévues à l'appui des autres juges nécessaires dans les

Aux actionnaires de The New Brunswick Telephone Company, Limited

RAPPORT DES VERIFICATEURS

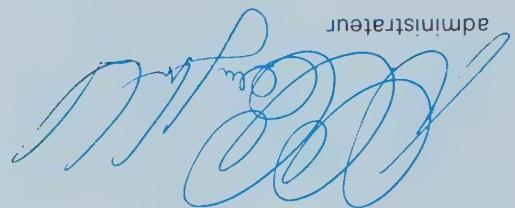
Capital-actions—note 4		
Actions privilégiées		\$ 7,853
Actions ordinaires		47,728
Surplus d'apport		3,083
Bénéfices non répartis		22,556
Dépenses à long terme—note 5		81,020
Dépense bancaire		63,000
Comptes à payer et frais courus—note 3		5,222
Dividendes à payer		6,692
7,238		7,238
6,692		6,692
Dettes bancaires		5,222
Comptes à payer et frais courus—note 3		5,222
Dividendes à payer		1,237
1,125		1,125
Intérêts courus sur la dette à long terme		1,411
1,039		1,039
Dettes à long terme échéant en déca d'un an—note 5		8,690
2,000		2,000
Dette à long terme à payer		23,798
10,856		10,856
Impôts sur la revenu reportés—note 1		30,749
25,556		25,556
Regime d'achat d'actions des salariés—note 6		523
37		37
31,272		31,272
Total du passif et de l'avoir des actionnaires		\$210,400
\$178,127		\$178,127

Les notes sur les états financiers consolidés en page 15 sont partie intégrante du présent état.

administrateur



administrateur



Signature au nom du conseil d'administration

The New Brunswick Telephone Company, Limited

Vice-président à la trésorerie



Total de l'actif

		\$210,400	\$178,127
Frais reportés			
Dépenses non amorties sur la dette à long terme	772	772	579
Etudes techniques préliminaires	423	423	1,544
Total de l'actif	10,627	14,530	1,002

Actif à court terme

Propriétés de télécommunication (au prix coutant)	\$215,363	75,997	65,109
Bâtiments, installations et outillage	\$246,829		
Moins amortissement accumulé—note 1			
Terrains et installations en construction	170,832	150,254	11,822
Materiaux de construction	5,229	3,319	5,229
Placements (au prix coutant)—note 2	1,103	1,924	1,924
Actif, 31 décembre	1973	1974	

### BILAN CONSOLIDÉ (en milliers de dollars)

The New Brunswick Telephone Company, Limited  
(Constituée selon les lois du Nouveau-Brunswick)

Les notes sur les états financiers consolidés en page 15 sont partie intégrante du présent état.

\*D'après le nombre moyen d'actions ordinaires en circulation

Exercice terminé le 31 décembre	1974	Revenus d'exploitation
Service local	\$24,923	Services interurbain
Service local	\$22,123	35,794
Autres	30,969	3,209
Moyens revenus d'exploitation irrécouvrables	2,532	3,209
Autres	214	376
Moyens revenus d'exploitation irrécouvrables	63,550	63,550
Dépenses d'exploitation	11,622	13,795
Amortissement—note 1	10,973	9,193
Entretien	4,857	4,137
Traffic réséau	3,418	3,535
Finances et renseignements	3,414	3,451
Admission générale	2,800	2,205
Rentabilité et autres avantages sociaux	1,590	1,633
Autres dépenses d'exploitation	2,214	1,831
Moyens imputations sur la construction	3,026	44,882
Autres avantages sociaux	1,590	36,755
Revenu d'exploitation	18,668	18,655
Autres revenus	432	844
Intérêts sur les installations en construction	594	761
Intérêts gagnés	101	210
Divers	1,127	1,815
Revenu avant frais d'intérêts et impôts sur le revenu	19,782	20,483
Frais d'intérêts	19,777	5,777
Intérêts sur la dette à long terme	4,326	123
Autres intérêts	39	95
Amortissement des dépenses sur la dette à long terme	80	95
Revenu avant impôts sur le revenu	15,337	14,488
Provision pour impôts sur le revenu—note 1	7,385	7,098
Revenu net	7,952	\$ 7,390
*Revenu net par action ordininaire—note 1	\$ 1,44	\$ 1,44

#### ETAT CONSOLIDÉ DES REVENUS ET DEPENSES (en milliers de dollars)

The New Brunswick Telephone Company, Limited

#### Fiduciaire des débentures

Compagnie Montréal Trust

La Compagnie l'rust Royal a Hallifa, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary et Vancouver est largement comparable des transferts d'actions.

The New Brunswick Telephone Company, Limited  
22, rue Prince William  
Saint John, Nouveau-Brunswick  
Compagnie Trust Royal  
Halifax, Montréal, Toronto,  
Winnipeg, Regina, Calgary  
et Vancouver  
INSCRIPTION BOURSIÈRE  
Bourse de Montréal  
Bourse de Toronto

## Bureau de transfert des actions

\* Membre du comité de direction

Administration

Leonard Lockhardt	W. H. R. Smith	Vice-président à l'exploitation	G. E. Graham	Vice-président à la planification	N. E. Britton	Secrétaire-trésorier	Kenneth V. Cox
N. A. Patterson		Vice-président à la trésorerie					Président du conseil

## Direction

Siège social de la compagnie: Federación (Nouveau-Brunswick)  
Direction générale: Saint-John (Nouveau-Brunswick)

The New Brunswick Telephone Company, Limited





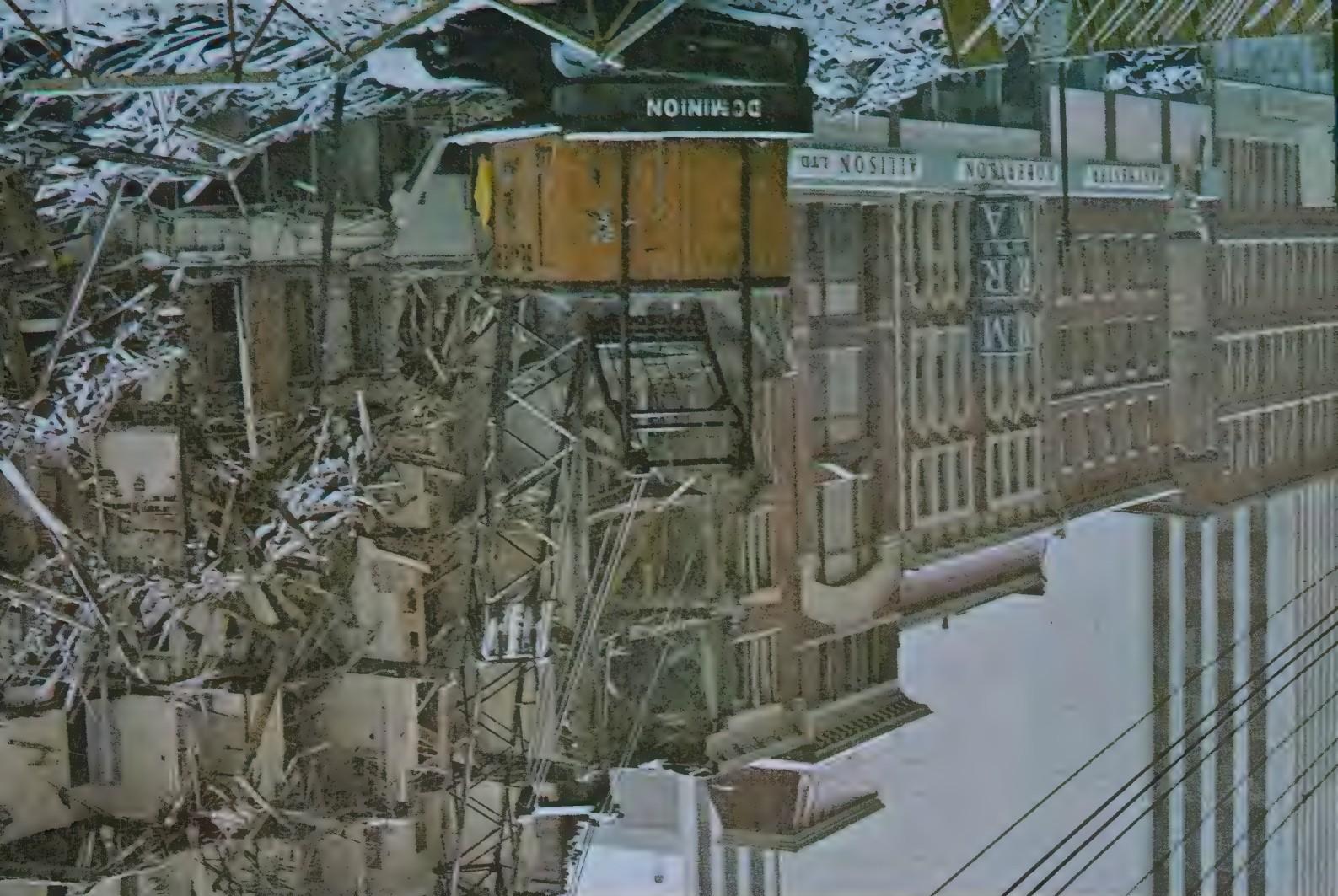
The figure consists of six stacked bar charts, each representing a different service metric over the years 1969 to 1974. The y-axis for all charts is labeled '(000)'.

- Augmentation des postes:** Shows a steady increase from approximately 2,000 in 1969 to about 2,500 in 1974.
- Extension et amélioration du service:** Shows a significant increase from around 150,000 in 1969 to nearly 250,000 in 1974.
- Immobilisations totales:** Shows a gradual increase from about 100,000 in 1969 to 150,000 in 1974.
- Crédit bancaire de la compagnie:** Shows a slight decrease from approximately 150,000 in 1969 to about 120,000 in 1974.
- Le loyer des fonds à long terme à échéance pour une compagnie d'assurance:** Shows a steady increase from about 100,000 in 1969 to 150,000 in 1974.
- Crédit d'impôt pour les personnes inscrites en 1974 à la compagnie d'assurance:** Shows a sharp increase from about 100,000 in 1969 to 180,000 in 1974.



Apports de fonds

Sur répondre à l'accroissement de la demande et maintenir des normes d'élévees de qualité à des couts demanderont plus de fonds. Environ 60 p. 100 des fonds investissemens en construction de la campagne se sont accrus annuellement à une moyenne de 36,1 p. 100 depuis trois ans. Environ 60 p. 100 des fonds marchés financiers extrêmes. Les dessous en fonds extrêurs ont plus que double en trois ans, période au cours de laquelle les frais connexes ont atteint un sommet sans précédent. La campagne ne pourra continuer à trouver des capitaux sur le marché libre que si les bénéfices qu'elle peut offrir sont assez élevés pour attirer investisseur.



## POINTS SAILLANTS (Consolidé)

1973

Total des revenus	\$65,364,987	\$56,536,696
Dépenses du programme de construction	\$40,868,894	\$29,712,922
Propriétés télécumulogénétions, 31 décembre	\$268,399,263	\$230,503,679
Téléphones en service, 31 décembre	303,841	282,510
Appels interurbains	20,516,533	16,700,317
Frais d'intérêts	\$5,994,483	\$4,444,644
Impôts sur le revenu	\$7,097,986	\$7,384,622
Revenu net	\$7,390,241	\$7,952,399
Dividendes déclarés par action ordinaire	\$1,02	\$0,94
Avoir des actions ordinaires par action, 31 décembre	\$15,37	\$14,99
Fonds auto-générés par action ordinaire	\$5,38	\$4,84
Rendement sur l'avoir des détenteurs d'actions ordinaires	9,46%	10,84%
Rendement sur l'avoir total des actionnaires	9,21%	10,42%
Rendement sur le capital investi	8,38%	8,84%
Moyenne des actions ordinaires en circulation	4,748,965	4,645,008
Détenteurs d'actions ordinaires, 31 décembre	11,002	11,344
Salariés, 31 décembre	2,631	2,483

La valeur d'une action ordinnaire de la compagnie au jour de l'évaluation, le 22 décembre 1971, admise par le ministre du Revenu national aux fins de l'impôt sur les gains en capital, était de \$14,63.

## JOUR DE L'EVALUATION

C'est une voix masculine bien peu coutumière qui répondait aux usagers de l'interurbain de la compagnie pendant la grève de l'automne dernier. Les cartes de toutes les services ont alors fourni les services de Routhésay à l'ensemble des automobilistes qui avaient fait leur nouveau trajet avec le milieu.

Typeuses des nouveaux centraux automobiles, la page de l'avenue centrale renouvelée, la pagade et le paysage attrayants du central renoué de Routhésay s'harmonisent bien avec le milieu.



Une opératrice accouplée un disque contenant des données compatibles sur la clénette à l'unité d'enregistrement, l'une des composantes du nouvel ordinateur.

Le minidiminateur des nouvelles installations de la Teldelta de Saint John est l'un des dispositifs utilisés pour offrir la gamme complète des services informatiques aux hommes d'affaires du Nouveau-Brunswick. Constituée en 1972, la Teldelta offre des services comme la préparation et la mise au point de programmes.

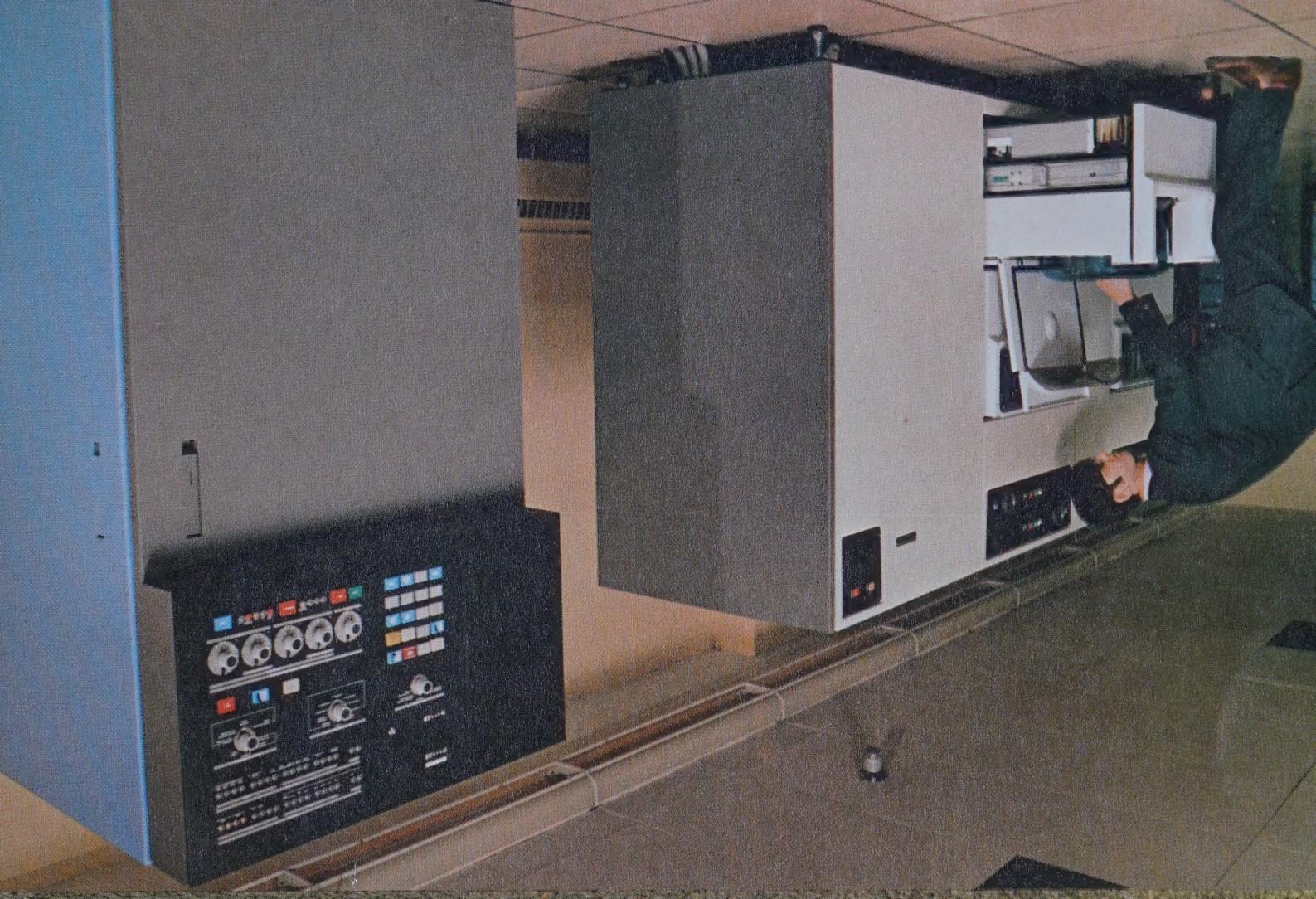
Couverture de l'investissement, le 26 juillet 1974, d'un nombre majeur par l'entreprise fut complétée par la fin de l'émission, le vendredi 28 février 1975, à 14h30 (heure locale).

## ASSÉMBLEE GÉNÉRALE ANNUELLE

Page	Sommaire
3	Points salillants
5	Rapport des administrateurs
10	Direction et administration
11	Etats financiers
13	Rapport des vérificateurs
16	Sommaire statistique



## Rapport annuel 1974



The New Brunswick Telephone Company, Limited. Rapport Annuel 1974.

